



**FILED**  
7-02-15  
02:57 PM

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

In the Matter of the Joint Application of  
Frontier Communications Corporation,  
Frontier Communications of America, Inc.  
(U5429C), Verizon California, Inc. (U1002C),  
Verizon Long Distance LLC (U5732C), and  
Newco West Holdings LLC for Approval of  
Transfer of Control Over Verizon  
California, Inc. and Related Approval of  
Transfer of Assets and Certifications.

Application 15-03-005  
(Filed March 18, 2015)

**ASSIGNED COMMISSIONER'S AMENDED SCOPING RULING**

**1. Background**

On March 18, 2015, Frontier Communications Corporation (Frontier), Frontier Communications of America, Inc. (U 5429 C) ("Frontier America"), Verizon California Inc. (U 1002 C) (Verizon California), Verizon Long Distance, LLC (U 5732 C) (Verizon LD), and Newco West Holdings LLC (collectively, Joint Applicants) filed this application for Commission approval of the sale and transfer of Verizon California, certain assets held by Verizon California, and Verizon LD's customer accounts in Verizon California's service territory to Frontier. If the transaction is approved, approximately 2.2 million customers of Verizon California will become customers of Frontier. Certain customers of Verizon LD will become customers of Frontier America. The assets to be transferred include, in addition to the customer accounts, the physical assets of Verizon California such as poles, wires, switches, trucks, central offices and the like.

On April 27, 2015 the Application was responded to by the California Association of Competitive Telecommunications Companies (CalTel), and protested by the Center for Accessible Technologies (CforAT), The Greenlining Institute (Greenlining), The Utility Reform Network (TURN), Communication Workers of America (CWA) and the Commission's Office of Ratepayer Advocates (ORA). On the same date, Cox California Telcom LLC (Cox) filed a response to the Application. On May 7, 2015, Joint Applicants filed a reply to the protests. On June 10, 2015 the assigned Administrative Law Judge (ALJ) and the assigned Commissioner jointly presided over a prehearing conference (PHC). At the PHC, the parties discussed the potential scope of the proceeding and agreed on a preliminary schedule which is set out in Section III of this Scoping Ruling. On June 5, 2015, the ALJ issued a ruling setting a series of workshops and Public Participation Hearings (PPHs) to be held throughout Verizon California's service territory during the next two months. Locations and times for the workshops and PPHs are set out in the ALJ's June 5th ruling.

## **2. Issues Before the Commission**

Joint Applicants acknowledge that the Commission has jurisdiction to review the proposed transfer of Verizon California's landline business to Frontier. In considering what should be the proper scope of that review, I have taken the following factors into consideration:

I. The ultimate test of a proposed change of control over a regulated service such as the Verizon California landline business is whether or not it is in the public interest. The public interest is broader than the interest of VerizonCalifornia's customers in the price and quality of the services they will receive from Frontier should the Application be granted. At the least, we must be able to say that the proposed transaction is overall net beneficial in its impact

on the various affected constituencies. Section 854(b) of the Pub. Util. Code applies to this proposed sale:

“Before authorizing the merger, acquisition or control of any electric, gas, or telephone utility organized and doing business in this state, where any of the utilities that are parties to the proposed transaction has gross annual California revenues exceeding five hundred million dollars (\$500,000,000), the commission shall find that the proposal does all of the following:

- (1) Provides short-term and long-term economic benefits to ratepayers;
- (2) Equitably allocates, where the commission has ratemaking authority, the total short-term and long-term forecasted economic benefits, as determined by the commission, of the proposed merger, acquisition or control, between shareholders and ratepayers. Ratepayers shall receive not less than 50 percent of those benefits; and
- (3) Not adversely affect competition. In making this finding, the commission shall request an advisory opinion from the Attorney General regarding whether competition will be adversely affected and what mitigation measures could be adopted to avoid this result.

In addition to making these mandated findings of (Pub. Util. Code § 854(b), the commission must also consider and weigh the criteria enumerated in Pub. Util. Code § 854(c) and “find, on balance, that the merger, acquisition, or control proposal is in the public interest.” The factors to be considered and weighed in making a public interest determination under Section 854(c) include whether the proposed transaction will:

- (1) Maintain or improve the financial condition of the resulting public utility doing business in the state.
- (2) Maintain or improve the quality of service to public utility ratepayers in the state.

- (3) Maintain or improve the quality of management of the resulting public utility doing business in the state.
- (4) Be fair and reasonable to affected public utility employees, including both union and nonunion employees.
- (5) Be fair and reasonable to the majority of all affected public utility shareholders.
- (6) Be beneficial on an overall basis to state and local economies, and to the communities in the area served by the resulting public utility.
- (7) Preserve the jurisdiction of the commission and the capacity of the commission to effectively regulate and audit public utility operations in the state.
- (8) Provide mitigation measures to prevent significant adverse consequences which may result.

II. At the PHC, the ALJ presented, and the participants discussed, a list of potential topics for inclusion in the scope of this proceeding. Because the ALJ's list fairly addresses the concerns of the governing statute, I have adopted it with some modifications as the scope of this proceeding:

1. What is the current physical condition of the Verizon landline network?
2. How would the condition of Verizon's network affect the proposed transaction in terms of service to customers, interconnection of Competitive Local Exchange Carriers (CLECs), and investments needed to fulfill the obligations of a Carrier of Last Resort (COLR).
3. What is the line of demarcation between the Verizon landline assets, including special access facilities subject to the proposed transaction, and Verizon's wireless assets that are not part of this transfer? Are poles and wires being transferred? Are there hybrid assets that serve both landline and wireless services and customers, and if so, which assets are subject to the proposed transaction?

4. What licenses, franchises and /or other operating authority does Verizon propose to transfer to Frontier?
5. What licenses, franchises and/or other operating authority does Verizon propose to retain?
6. How capable is Frontier of absorbing 2.2 million additional customers currently served by Verizon's landline services? Does Frontier have adequate staff and facilities to scale up to the necessary size?
7. What are the financial implications of the transaction for Frontier?
8. What are the service quality and 911 implications of the transaction for Frontier's existing and its newly acquired customers?
9. How compatible are the Frontier and Verizon systems and equipment including?
  - a. Switches and routers;
  - b. Interconnection and central office equipment and staffing;
  - c. Customer premises equipment;
  - d. Accounting and record keeping systems;
  - e. IP-enabled and broadband infrastructure systems and equipment;
  - f. Back office and operations support systems;
  - g. Poles, towers, and microwave facilities;
  - h. Customer support and call-center facilities; and

- i. How important is network compatibility to transferring Verizon's landline facilities to Frontier and offering high quality service to California customers?
10. What is the impact of the transaction on competition for voice, VoIP and broadband services?
11. What is the impact of the proposed transaction on CLECs and services CLECs currently acquire from Verizon?
12. What is the impact of the transaction on universal service programs including the California High Cost B-Fund, the California Advanced Services Fund, the Connect America Fund (managed by the FCC), California LifeLine and Federal Lifeline, the Deaf and Disabled Trust Program, and the California Teleconnect Fund? Will the proposed transactions affect the federal or state universal service funds available to serve customers in the regions currently served by Verizon?
13. What are the employment implications of the transaction for Verizon employees, Frontier employees, and the Communication Workers of America (CWA)?
14. What is the impact of the proposed transaction on innovation, investment, and the economy of California?
15. What are the potential negative consequences of the proposed transactions? Are any conditions necessary or warranted to mitigate any such consequences?
16. Is the proposed transaction in the public interest?
17. What effect does the proposed transaction have on the Commission's jurisdiction? In light of the Commission's statutory authority under P. U. Code Sections 851 through 854 to review proposed asset and license transfers, does the Commission need to consider P.U. Code Section 710 and Section 706 of the Telecommunications Act of 1996 in evaluating this application, and if so how?

18. What is the impact of the proposed transaction on employment and service including opportunities for diverse businesses to contract? How does the transaction affect the business contracting process and diversity?
19. What is the impact of the transaction on FIOS service and content? Will Verizon's contracts to carry content be transferred to Frontier?

### **3. Schedule of the Proceeding**

The following schedule is hereby adopted:

EVENT	DATE
Scoping Memo	Jun 24, 2015
Intervenor's Reply Testimony	July 28 2015
Applicant's Rebuttal Testimony	August 24, 2015
Joint Supplemental Testimony	September 1, 2015
Evidentiary Hearings	To be Determined
Joint Supplemental Reply Testimony	September 8, 2015
Joint Opening Briefs	September 22, 2015
Joint Reply Briefs	October 15, 2015
Proposed Decision	November 3, 2015
Commission Decision	December 3, 2015

The case will be submitted upon receipt of reply briefs, unless the ALJ or assigned Commissioner directs further evidence or argument.

It is the Commission's intent that this case will be completed with 18 months of the date of this scoping memo.

**4. Categorization and Need for Hearing**

ALJ Karl J. Bemesderfer is designated as the Presiding Officer.

**5. *Ex Parte* Communications**

*Ex parte* communications with decision makers are permitted subject to the notice and reporting requirements and other provisions of Rules 8.3 and 8.4 of the Commission's Rules of Practice and Procedure. If there are any workshops in this proceeding, notices of such workshops will be posted on the Commission's Daily Calendar to inform the public that a decision-maker or an advisor may be present at those meetings or workshops. Parties shall check the Daily Calendar regularly for such notices."

**6. Intervenor Compensation**

Pursuant to Rule 17.1(a)(1) of the Commission's Rules of Practice and Procedure, notices of intent to claim compensation must be filed not later than July 10, 2015.

Therefore, **IT IS RULED that:**

1. The scope and schedule of this proceeding are as set forth in the body of this scoping ruling.
2. Administrative Law Judge Karl J. Bemesderfer is the Presiding Officer in this proceeding.
3. *Ex parte* Rules 8.3 and 8.4 apply to this proceeding.
4. This proceeding is characterized as ratesetting and evidentiary hearings are required.
5. Notices of intent to claim compensation must be filed no later than July 10, 2015.



6. The Administrative Law Judge may modify the schedule of this proceeding as needed for efficient and effective case management.

Dated July 2, 2015, at San Francisco, California.

/s/ CATHERINE J.K. SANDOVAL

Catherine J.K. Sandoval  
Assigned Commissioner